

General Information Letter: Corporation with no Illinois net income and that is not required to file a federal income tax return has no obligation to file an Illinois income tax return.

August 7, 2000

Dear:

This is in response to your letter dated July 7, 2000 in which you request a Letter Ruling. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department.

Although you have not specifically requested either type of ruling, the nature of your question and the information provided require that we respond only with a GIL.

In your letter you stated:

(List of Purchasing Groups)

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XX
XX
XX
XX
XX
XX
XX
XX
XX
XX

Confirming our telephone conversation of this morning, we are the attorneys for the above risk purchasing groups, and I am the President of the groups.

Each purchasing group has been incorporated in Illinois under the Illinois General Not For Profit Corporation Act, and has been registered as a Purchasing Group with the Illinois Department of Insurance. (See Exhibit A as an example.)

Each purchasing group was formed to avail the members of the group of the benefits available under the federal Liability Risk Retention Act of 1986. As a purchasing group (as distinct from a Risk Retention Group), it is merely an entity formed to allow its members to purchase insurance *on a group basis*.

Each of the above purchasing groups does not have any assets, any liabilities, or any shareholders' equity. Each purchasing group does not have, and is never expected to have, any income or expenditures.

Each of the above purchasing groups does not have any shareholders or any capital.

Out of an abundance of caution, in prior years I filed federal income tax returns on Form 1120 or 1120A for the above groups. I am enclosing a copy of my letter, dated September 3, 1998, to the District Director on behalf of one of the purchasing groups (Exhibit B), as well as a copy of the Return, as filed. (Exhibit C). This is representative of the federal tax returns filed for each of the purchasing groups.

I have also enclosed a copy of the response, which I received from the Chief, Accounts Services Section, advising that the organization is "not required to file any tax returns at this time."

On behalf of the above purchasing groups and based upon the representations set forth in this letter, we request an advice from you that so long as each of the above purchasing groups does not have any income or capital, it would not be required to file an Illinois Income Tax Return.

DISCUSSION

Your letter has been referred to me for response. The Illinois Income Tax Act ("IITA") follows the federal Internal Revenue Code ("IRC") in this matter. Section 502(a) of the IITA states:

(a) In general. A return with respect to the taxes imposed by this Act shall be made by every person for any taxable year:

(1) For which such person is liable for a tax imposed by this Act, or

(2) In the case of a resident or in the case of a corporation which is qualified to do business in this State, for which such person is required to make a federal income tax return, regardless of whether such person is liable for a tax imposed by this Act. However, this paragraph shall not require a resident to make a return if such person has an Illinois base income of the basic amount in Section 204(b) or less and is either claimed as a dependent on another person's tax return under the Internal Revenue Code of 1986, or is claimed as a dependent on another person's tax return under this Act.

Accordingly, if the taxpayer does not have a filing requirement for federal income tax purposes and no Illinois income tax liability, there would be no filing requirement for Illinois income tax purposes.

As mentioned above, this is merely a general information letter and not a statement of policy and is not binding upon the Department. I hope that this has been helpful to you. The Department maintains a website, which can be accessed at www.revenue.state.il.us. If you have additional questions please feel free to contact me at the above address.

Very Truly Yours,

Charles E. Matoesian
Associate Counsel - Income Tax Division